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IN THE

Supreme Court of the United States

OCTOBER TERM, 1977.

No. 77-1413

JANE ARONSON (FORMERLY KNOWN AS JANE LEOPOLDI),
Petitioner,

vs.

QUICK POINT PENCIL COMPANY, A MISSOURI CORPORATION,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT.

REPLY BRIEF FOR THE PETITIONER.

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In its brief in opposition to the petition for certiorari respondent understandably argues that this case raises no important issue. The fact is that the decision below, unless reversed, will be relied on in the future for the proposition that any contract calling for continuing payments upon the manufacture of an article or the use of a process or other idea is unenforceable unless (1) there is an existing patent, or (2) the subject of the agreement (*i.e.*, the article, process or idea) remains secret. That is the holding of the Eighth Circuit and it raises an important issue that will have significant impact on existing and future agreements involving many ideas in many circumstances.

In an attempt to cast this case as *sui generis* respondent asserts that the Eighth Circuit's decision will have no effect on the enforceability of trade secret licenses or on licenses of pending patent applications. Yet it is obvious that under this decision a licensee of a patent application is free not to pay royalties if the sale of the article discloses the subject matter of the application. Similarly, once the subject matter of a trade secret license becomes public the license is unenforceable under this decision.*

Respondent argues that the presence of the patent application here distinguishes this case from *Warner-Lambert*. However, respondent never explains how the presence of a patent application justifies a result different from that in *Warner-Lambert*, much less how normal state contract law conflicts with federal patent law when a patent application is involved but does not where none was ever filed. If the holding of the Eighth Circuit were that the contract here is invalid because there was a patent application but would have been enforceable if no patent application had been filed, the result would surely be anomalous since it would discourage the filing of patent applications. Such a result is not only inconsistent with the aims of the patent law but in fact directly conflicts with the congressional policy of encouraging patent applications.

Respondent cites a number of cases but nowhere deals with the real issue in this case—does the enforcement of this contract so conflict with federal patent law as to justify federal interference with the normal operation of state law? Indeed, respondent's brief is most noteworthy for what it fails to do

* Respondent asserts that the keyring involved here was not a trade secret. Once the keyring was on public sale it was not a trade secret, because the sale fully disclosed the idea. But there can be no doubt that prior to its first sale it *was* a secret. The uncontested fact is that the keyring was secret prior to the agreement with Quick Point; that it had not been disclosed to others except under conditions of confidence; and that it was disclosed to Quick Point under an obligation of confidence (App. A43). Of course, it is common for inventors to obtain a consideration in return for disclosure of a secret design even though once the article is put on sale, it is no longer secret.

rather than what it attempts to do. Respondent makes no attempt to respond to the fact that this Court held in *Kewanee Oil Co.* v. *Bicron Corp.*, 416 U. S. 470, 479-80 (1974), that normal operation of state law should be interfered with *only* if its enforcement would conflict with federal patent law. Respondent also ignores this Court's holding in *Kewanee* that in determining whether there is a conflict with federal patent law it is imperative to examine the purposes of the patent law and then to determine whether the enforcement of state law will interfere or conflict with those purposes. As pointed out in the petition, the purposes of the federal patent law are to encourage invention and to encourage disclosure of those inventions to the public which stimulates further invention. Enforcement of the contract here in no way interferes or conflicts with those purposes. That fact was ignored by the court of appeals and also by respondent in its brief.

The majority below failed to follow the principles so clearly established by this Court in deciding cases involving conflicts between state law and federal patent law. In so doing the Eighth Circuit unnecessarily created doubt and confusion with respect to myriad commercial relationships which not only are quite common in our economy but are especially beneficial and vital to small inventors. This Court should grant review of this case and resolve this important issue.

Petitioner respectfully repeats her request that this Court grant the petition for certiorari.

Respectfully submitted,

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